

# CHURCHILL DOWNS

INCORPORATED

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## **The 145<sup>th</sup> Kentucky Derby Presented by Woodford Reserve Sets All-time Wagering Record as Country House Takes Home the ‘Run for the Roses’**

**LOUISVILLE, Ky. (May 4, 2019)** – Derby fans weathered a steady late-afternoon rain as Country House captured the 145<sup>th</sup> Kentucky Derby Presented by Woodford Reserve over a sloppy track. Wagering from all-sources was the highest all-time on both the Kentucky Derby Day program and on the Kentucky Derby race.

Wagering from all-sources on the Kentucky Derby Day program totaled \$250.9 million, an 11% increase over the 2018 total and previous record of \$225.7 million. Wagering from all-sources on the Kentucky Derby race increased 10% to \$165.5 million from the previous record of \$149.9 million set last year. This year’s wagering record includes \$4.1 million of handle wagered in Japan with this being the first year the Kentucky Derby has ever been offered for wagering in the country.

Attendance of 150,729 decreased 4% compared to last year, as the threat of an all-day rain forecast kept many fans away.

This year’s Derby purse was elevated \$1 million to a guaranteed \$3 million making it the richest in history for America’s greatest race and first leg of horse racing’s Triple Crown.

### **BUSINESS COMMENTARY**

“We are deeply grateful to all of the fans of the Kentucky Derby around the world who once again made this an amazing and memorable experience,” said Bill Carstanjen, CEO of Churchill Downs Incorporated (“CDI”). “We expect the Kentucky Derby Week Adjusted EBITDA to reflect another record with \$4.5-to-\$6.0 million of growth over last year.”

### **TWINSPIRES**

TwinSpires, the country’s leading online and mobile betting platform and the official betting partner of the Kentucky Derby, recorded \$48.4 million in handle on Churchill Downs races for the Kentucky Derby Day program, an increase of 20% over the prior year. TwinSpires’ handle on the Kentucky Derby race alone was \$30.2 million, up 23% over 2018.

### **DERBY WEEK**

All-sources handle for Opening Night, Saturday, April 27, through Derby Day, Saturday, May 4, rose to a new record of \$343.0 million, up 10% from the previous record of \$311.2 million set last year. Attendance for those five days was 360,237, down 4% over 2018.

## Use of Non-GAAP Measures

In addition to the results provided in accordance with GAAP, the Company also uses non-GAAP measures, including adjusted net income, adjusted diluted EPS, EBITDA (earnings before interest, taxes, depreciation and amortization) and Adjusted EBITDA.

The Company uses non-GAAP measures as a key performance measure of the results of operations for purposes of evaluating performance internally. These measures facilitate comparison of operating performance between periods and helps investors to better understand the operating results of CDI by excluding certain items that may not be indicative of the Company's core business or operating results. The Company believes the use of these measures enable management and investors to evaluate and compare, from period to period, the Company's operating performance in a meaningful and consistent manner. The non-GAAP measures are a supplemental measure of our performance that is not required by, or presented in accordance with GAAP, and should not be considered as an alternative to, or more meaningful than, net income or diluted EPS (as determined in accordance with GAAP) as a measure of our operating results.

We use Adjusted EBITDA to evaluate segment performance, develop strategy and allocate resources. We utilize the Adjusted EBITDA metric to provide a more accurate measure of our core operating results and enable management and investors to evaluate and compare from period to period our operating performance in a meaningful and consistent manner. Adjusted EBITDA should not be considered as an alternative to operating income as an indicator of performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as an alternative to any other measure provided in accordance with GAAP. Our calculation of Adjusted EBITDA may be different from the calculation used by other companies and, therefore, comparability may be limited.

Adjusted net income and adjusted diluted EPS exclude discontinued operations net income or loss; recapitalization costs related to the Midwest Gaming transaction; transaction expense, which includes acquisition and disposition related charges, Calder exit costs, as well as legal, accounting, and other deal-related expense; pre-opening expense; and certain other gains, charges, recoveries, and expenses.

Adjusted EBITDA includes CDI's portion of the EBITDA from our equity investments.

Adjusted EBITDA excludes:

- Transaction expense, net which includes:
  - Acquisition and disposition related charges, including fair value adjustments related to earnouts and deferred payments;
  - Calder Racing exit costs; and
  - Other transaction expense, including legal, accounting, and other deal-related expense;

- Stock-based compensation expense;
- Recapitalization costs related to the Midwest Gaming transaction;
- Asset impairments;
- Gain on Ocean Downs/Saratoga Transaction;
- Loss on extinguishment of debt;
- Pre-opening expense; and
- Other charges, recoveries and expenses

For purposes of segment reporting, Adjusted EBITDA includes intercompany revenue and expense totals that are eliminated in the condensed consolidated statements of comprehensive income. Refer to the reconciliation of comprehensive income to Adjusted EBITDA included herewith for additional information.

## **About Churchill Downs Racetrack**

Churchill Downs, the world's most legendary racetrack, has conducted Thoroughbred racing and presented America's greatest race, *The Kentucky Derby*, continuously since 1875. Located in Louisville, the flagship racetrack of Churchill Downs Incorporated (Nasdaq: CHDN) offers year-round simulcast wagering at the historic track. Churchill Downs will conduct the 145<sup>th</sup> running of the Kentucky Derby Presented by Woodford Reserve on May 4, 2019. The track's 2019 Spring Meet is scheduled for April 27 – June 29. Churchill Downs has hosted the Breeders' Cup World Championships nine times. Information about Churchill Downs can be found online at [www.churchilldowns.com](http://www.churchilldowns.com).

## **About Churchill Downs Incorporated**

Churchill Downs Incorporated ("CDI") (Nasdaq: CHDN), headquartered in Louisville, Ky., is an industry-leading racing, gaming and online entertainment company anchored by our iconic flagship event - *The Kentucky Derby*. We own and operate the largest legal online horseracing wagering platform in the U.S., through our TwinSpires business. We are also a leader in brick-and-mortar casino gaming with approximately 11,000 slot machines and VLTs and approximately 200 table games in eight states. In August 2018, we launched our BetAmerica Sportsbook at our two Mississippi casino properties and have announced plans to enter additional U.S. sports betting and iGaming markets. Derby City Gaming, the first historical racing machine ("HRM") facility in Louisville, Kentucky, was opened in September 2018 with 900 HRM machines. Additional information about CDI can be found online at [www.churchilldownsincorporated.com](http://www.churchilldownsincorporated.com).

*Information set forth in this presentation contains various "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"), which provides certain "safe harbor" provisions. All forward-looking statements made in this presentation are made pursuant to the Act. Forward-looking statements are typically identified by the use of terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "might," "plan," "predict," "project," "seek," "should," "will," and similar words, although some forward-looking statements are expressed differently.*

*Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from*

*expectations include the following: the effect of economic conditions on our consumers' confidence and discretionary spending or our access to credit; additional or increased taxes and fees; public perceptions or lack of confidence in the integrity of our business; loss of key or highly skilled personnel; restrictions in our debt facilities limiting our flexibility to operate our business; general risks related to real estate ownership, including fluctuations in market values and environmental regulations; catastrophic events and system failures disrupting our operations; online security risk, including cyber-security breaches; inability to recover under our insurance policies for damages sustained at our properties in the event of inclement weather and casualty events; increases in insurance costs and inability to obtain similar insurance coverage in the future; inability to identify and complete acquisition, expansion or divestiture projects, on time, on budget or as planned; difficulty in integrating recent or future acquisitions into our operations; number of people attending and wagering on live horse races; inability to respond to rapid technological changes in a timely manner; inadvertent infringement of the intellectual property of others; inability to protect our own intellectual property rights; payment-related risks, such as risk associated with fraudulent credit card and debit card use; compliance with the Foreign Corrupt Practices Act or applicable money-laundering regulations; work stoppages and labor issues; difficulty in attracting a sufficient number of horses and trainers for full field horseraces; inability to negotiate agreements with industry constituents, including horsemen and other racetracks; personal injury litigation related to injuries occurring at our racetracks; our inability to utilize and provide totalisator services; weather conditions affecting our ability to conduct live racing; increased competition in the horseracing business; changes in the regulatory environment of our racing operations; changes in regulatory environment of our online horseracing business; increase in competition in our online horseracing; uncertainty and changes in the legal landscape relating to our online wagering business; legalization of online sports betting and iGaming in the United States and our ability to predict and capitalize on any such legalization; inability to expand our sports betting operations and effectively compete; failure to comply with laws requiring us to block access to certain individuals could result in penalties or impairment with respect to our mobile and online wagering products; increased competition in our casino business; changes in regulatory environment of our casino business; development and expansion of casinos is costly and susceptible to delays, cost overruns and other uncertainties; and concentration and evolution of slot machine manufacturing and other technology conditions that could impose additional costs.*

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